

# Weekly Wrap

*Week in Review: Stocks stage huge rally, even as Election Day turns into Election Week*

The S&P 500 surged 7.3% this week to bounce back from last week's 5.6% decline, as the prospect of a divided Congress outweighed the fact that no presidential winner was declared by week's end. The Nasdaq Composite rallied 9.0%, the Dow Jones Industrial Average rallied 6.9%, and the Russell 2000 rallied 6.9%.

Every sector in the S&P 500 finished in positive territory with ten sectors rising between 2.8% (utilities) and 9.7% (information technology). The energy sector increased just 0.8%.

Former Vice President Biden led President Trump 253-214 in the electoral count, according to most sources, but the market appeared to not care who will be president so long as the status quo is preserved in Congress. Expectations were that the House would remain with the Democrats and the Senate would remain with the Republicans.

Note, the Senate may not be decided until Jan. 5 since it appears both Senate races in Georgia are heading for a runoff election.

Nevertheless, the current scenario would make it unlikely for lawmakers to pass a massive stimulus bill, increase the capital gains tax rate, or alter the health care system. A smaller or even delayed stimulus deal would disproportionately help the mega-cap/growth stocks and hurt the cyclical stocks due to the potential for a slower economic recovery.

Based on the latest economic data, the recovery appeared to be going smoothly, although the new wave of the coronavirus cases threatens to impede the recovery.

Briefly, nonfarm payrolls increased by 638,000 (Briefing.com consensus 570,000), the unemployment rate declined to 6.9% (Briefing.com consensus 7.7%) from 7.9% in September, and the ISM Manufacturing Index accelerated to 59.3% in October (Briefing.com consensus 55.7%) from 55.4% in September.

Senate Majority Leader McConnell said a stimulus package should be passed by the end of the year but advocated for a "skinny" deal due to the better-than-expected employment report.

The Federal Reserve also made an appearance this week but was largely overshadowed by the election. The fed funds rate was left unchanged as widely expected. Mr. Powell said the current pace of asset purchases remained appropriate for the current situation but added that the voting committee discussed options if more accommodation is needed.

Treasuries finished on a higher note amid the recovery concerns resulting from a potentially smaller stimulus deal. The 2-yr yield increased one basis point to 0.16%, and

the 10-yr yield increased four basis points to 0.82%. The U.S. Dollar Index fell 1.9% to 92.26. WTI crude increased 4.0% to \$37.14/bbl.

| Index               | Started Week | Ended Week | Change  | % Change | YTD % |
|---------------------|--------------|------------|---------|----------|-------|
| <b>DJIA</b>         | 26501.60     | 28323.40   | 1821.80 | 6.9      | -0.8  |
| <b>Nasdaq</b>       | 10911.59     | 11895.23   | 983.64  | 9.0      | 32.6  |
| <b>S&amp;P 500</b>  | 3269.96      | 3509.44    | 239.48  | 7.3      | 8.6   |
| <b>Russell 2000</b> | 1538.48      | 1644.16    | 105.68  | 6.9      | -1.4  |

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Rank : positive